MIAMI-DADE COUNTY, FLORIDA

MIAMI-DADE

STEPHEN P. CLARK CENTER

FINANCE DEPARTMENT
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March 31, 1999

Honorable Alex Penelas, Mayor

Honorable Gwen Margolis, Chairperson and
Members Board of County Commissioners

Honorable Harvey Ruvin, Clerk
Board of County Commissioners

Mr. Merrett R. Stierheim, County Manager
Miami-Dade County, Florida

LADIES and GENTLEMEN:

The Miami-Dade County, Florida (the "County") Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended September 30, 1998 is hereby submitted. Responsibility for the accuracy and fairness of the presentation, including all disclosures, rests with management of the County. We believe the data as presented is accurate in all material respects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the County as measured by the financial activity of its various funds and account groups, and that all disclosures necessary to enable the reader to gain an understanding of the County's financial activity have been included. The accompanying report consists of three parts:

- ***Introductory section,*** including the letter of transmittal from the Finance Director.
- ***Financial section,*** including financial statements, supplemental data, including the status of year 2000 effort, and other schedules of the County, accompanied by our independent auditors' opinion. Other schedules include General Obligation Bonds; Special Obligation Bonds; Revenue Bonds of Seaport, Aviation, Public Health Trust, Water and Sewer Utility, Solid Waste, Rickenbacker Causeway and the Miami-Dade County Housing Agency.
- ***Statistical section,*** including a number of tables of unaudited data depicting the financial history of the County over the past ten years, demographics, and other miscellaneous information.

The County provides a full range of services. These services include, but are not limited to, police and fire protection; health services; mass transportation including the operation of a full scale international airport and seaport; sanitation; water and sewer; the construction and maintenance of highways, streets and infrastructure; libraries; health, recreational activities, cultural events, etc.

An amendment to the County Charter was approved by the electorate, creating an executive mayor. The Mayor was elected in October 1996, for a term of four years in a County-wide election. Thirteen (13) Commissioners are elected from single member districts, for four year staggered terms, to a Board that serves as the legislative and governing body of the County and is responsible for the formation of all policies. The Mayor is not a member of the Board, has veto authority over legislative acts, and may appoint a Chairperson of the Board. The Mayor selects the County Manager, subject to ratification by the Board of County Commissioners.

The Financial Reporting Entity, under which the financial statements are prepared, includes all the organizations, activities, and functions for which the County as the primary government is financially accountable.

ECONOMIC CONDITION AND OUTLOOK

Although fiscal year 1997 was an outstanding period for the Miami-Dade economy, the year closed with some indications for concern in the near future. Most of this concern center on the economic and political difficulties being experienced by the area's major trading partners in South and Central America and its potential impact on South Florida.

Fiscal 1998 statistics on operations at Miami International Airport (MIA) and at the Miami-Dade Seaport support temperate concern for the impact of trading partners on Miami-Dade County's regional economy. At MIA, total passengers were down by 1.0 percent, with domestic passengers off by 2.5 percent. Total freight tonnage at MIA increased by a moderate 2.9 percent. Likewise, at the Seaport total passengers declined by 7.3 percent. Cargo tonnage showed 4.8 percent gain which was about one third of the prior year's increase. These airport and seaport numbers were mirrored by tourism and trade statistics.

Following three straight years of record visitations, the tourism sector showed total visitors down by 1.1 percent with domestic visitors off by almost twice as much. In conjuction with the visitor decline, the hotel occupancy annual average lost 2.3 percentage points. However, overnight visitors increased spending by 3.4 percent over spending from the prior year, generating a favorable economic impact. The international trade indicators displayed a similar picture. While actual declines did not materialize, performance did not match the record breaking record set in fiscal year 1997. In that year, exports from Customs District 52 increased 19 percent; in fiscal year 1998 the gain was only 1.2 percent. The import side performed better with a 13.1 percent advance in 1998 compared to 27 percent in 1997. Reversals of this magnitude normally reverberate throughout the Miami-Dade economy.

Employment growth however, continued its steady expansion over the last several years, registering a gain of 2.0 percent. About 19,000 nonagricultural wage and salary employees were added with services leading the way both in relative and absolute terms. Transportation, public utilities and retail trade were other substantial contributors of employment growth. Unfortunately, manufacturing employment fell by 2.5 percent (1,900 jobs). The best news was the continued reduction in the unemployment rate from 7.0 to 6.5 percent (annual average). This marks the second year that this important indicator has performed favorably. Even so, median family income inched up by 0.3 percent. Along with the solid employment performance, taxable sales values recorded some modest improvements in fiscal year 1998. Total taxable sales increased by 6.0 percent compared to only 3.3 percent in fiscal 1997 and retail sales taxes climbed 5.2 percent while last year's figure was only 4.0 percent. Consumer durables and nondurables were the leaders at 8.1 and 6.6 percent respectively. Typically, as was the case in 1996 and 1997, the statewide averages exceeded those experienced in Miami-Dade County.

Traditionally, in Miami-Dade the real estate sector is closely monitored and is viewed as a vital measure of the County's economic health. New single family home sales fell by almost nine percent and the average home price was down by about $1,000. Housing units started, remained at the same level as prior year, slightly more than ten thousand unit. Units authorized rose by 13 percent to 10,400 units. This signals that housing units to start in fiscal year 1999, will likely not be higher than those started in fiscal year 1998. In contrast to new single family homes, used single family units and both new and used condominiums had increased sales, reversing the trend in fiscal 1997 when they all declined slightly. These fluctuations in the housing market are often difficult to explain and may be driven by factors independent of the overall economic conditions. The periodic nature of additions to inventory for multifamily type units such as condos is one example. Price differentials are another, but in this case cannot account for the opposite movement of new and used single family home sales. New condos sold had an average price of $213,666, a 7.5 percent increase from fiscal year 1997. That is five times higher than the change in the consumer price index for the period. Home mortgage interest rates were considerably lower in fiscal year 1998 than the prior year, but this should benefit both categories.

The commercial real estate market performed much as it did in fiscal year 1997; leaseable space climbed over seven percent and the occupancy rate was up almost two points. This was a marginal improvement over the previous year. The increase in business telephone connections was 3.2 percent, slightly lower than the 4.1 percent experienced in 1997. New electrical connections to businesses were up less than one percent.

In last year's report it was noted that the consensus of analysts and members of the visitor industry were favorably looking foward to 1998. While actual visitor numbers were slightly down, tourist spending was at an all-time high, reflecting successful targeting of a more upscale visitor market. More than 9.7 million overnight visitors traveled to our area, resulting in one of the strongest years of the decade. Visitor satisfaction with their stay also set a record, indicating higher consumer confidence, easy air access, upgraded and expanded hotels, malls and attractions, international flavor and great beaches. Despite projected decreases in some international markets such as economically challenged Brazil and Venezuela, the destination is expected to maintain strong visitation numbers in 1999, with more growth in 2000. The projected growth is due in part to the destination's successful hosting of major events like the Super Bowl and the Travel Industry Association of America's Discover International trade show (Pow Wow), as well as strong convention bookings. With the continued growth of Greater Miami and the beaches as an upscale, sophisticated visitor destination will positively impact resort tax collections.

With respect to international trade, analysts and practitioners are in more close agreement. That is, full recovery to the levels of expansion being enjoyed prior to fiscal year 1998 are probably another year away. The hope is that conditions in Latin America will not deteriorate and lead to a deep recession. Brazil is the key country in all this with respect to South Florida as it is a major trading partner. Further devaluations of its currency, continued erosion of the stock market and failure to reduce government debt and lower interest rates would be the worst scenario and could impact the economies thoughout the region. Venezuela, Columbia and Argentina all have similar problems. Forecasting the outcome of these international partners is a tenuous exercise at best. The bright side is that the Miami-Dade County's economy is large and diversified enough that even given the most negative outcome on the international front, next year will probably be a close replica of fiscal year 1998.

MIAMI-DADE FEDERAL EMPOWERMENT ZONE

In 1999, Miami-Dade County was successful in obtaining from the U.S. government a Federal Empowerment Zone designation. The Miami-Dade County Empowerment Zone - Round Two application was submitted in 1998 by Miami-Dade County Mayor Alex Penelas with the full support of the Miami-Dade business community, which has committed more than 5,000 jobs to Empowerment Zone residents. In addition, 18 financial institutions in the business community pledged more than $400 million for economic development, housing and other revitalization activities over the first two years of the program. Administered through the Housing and Urban Development Agency, the Empowerment Zone/Enterprise Community Initiative is one of the cornerstones of President Bill Clinton's job creation strategy for impoverished and distressed urban and rural areas.

What sets apart this revitalization program from other past programs, is that local communities drive the decision-making. Therefore, leading up to the federal Empowerment Zone designation, Miami-Dade County government and business leaders implemented a grassroots program to hear ideas and suggestions from residents in affected neighborhoods. This was followed with an intensive planning effort focusing on economic growth and job creation for the targeted zone. The Empowerment Zone includes a major section of Miami central, parts of Homestead, Florida City, Poinciana Industrial Park, Northside Shopping Center and the Opa Locka Airpark.

From the standpoint of the U.S. government, the Federal Empowerment Zone designation means that Miami-Dade County will receive $130 million in tax incentives and grants from the federal government during the ten-year program. In conjunction with the federal government's incentives, the Miami-Dade County Public Schools will enhance its spending in the zone by $100 million and the Miami-Dade County Commission has approved a $100 million match for the zone. Ten state agencies have identified more than $100 million in state resources available on an annual basis for additional services inside zone communities.

One of the key commitments of the Empowerment Zone Plan is to generate close to $8 billion in construction over the next five years inside the zone.

The overall goal is to revitalize and create a lasting and significant, long-term economic, educational and social investment in some of Miami-Dade's poorest neighborhoods. The plan calls for improving the service delivery in the zone, to dramatically improve childcare, healthcare and other quality of life issues that will make it more practical for zone residents to succeed economically. It is a recognition by the private and public sector that to invest in the education, job training, housing, safety and health of individuals living in the Empowerment Zone is to make a positive investment in the welfare of the entire community.

INTERNAL CONTROL

County administration is responsible for establishing and maintaining internal control designed to ensure that the assets of the County are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgements by management.

All internal control evaluations occur within the above framework. We believe that the County's internal control adequately safeguards assets and provides reasonable assurance of the proper recording of financial information for both internal and external reporting purposes.

BUDGETARY CONTROL

State of Florida statutes require that all county governments prepare, approve, adopt and execute an annual budget for such funds as may be required by law or by sound financial practices. In compliance with this, the budgets adopted by the County are either appropriated or non-appropriated in nature. Funds that have appropriated budgets cannot legally exceed their appropriations. The budgetary controls over funds that have non-appropriated budget are set by enabling ordinances, such as Bond Ordinances, in which the expenditure authority extends many years into the future.

Budgets are monitored at varying levels of classification detail, however, expenditures cannot legally exceed total appropriations at the individual fund/department level. Amendments and supplements to the budget require County Commission approval. Beginning fund balances available for financing current appropriations are considered in the budgetary process, but are not included in the financial statements of the Governmental Fund Types as budgeted revenue. All appropriations within the Governmental Fund Types lapse at year end.

As an additional control, the County employs an encumbrance system which reduces available appropriations in governmental funds upon the issuance of purchase orders, contracts, or other forms of legal commitments. Encumbrances at year end do not constitute expenditures or liabilities. They are accounted for as a reservation of fund balance in the year the commitment is made. While appropriations lapse at the end of the fiscal year, the succeeding year's budget ordinance provides for the reappropriation of the year end encumbrances.

YEAR 2000 PREPARATION

The Year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. Computer systems that require the recognition of dates may recognize a date using "00" as the year 1900 rather than the year 2000. The County has been aggressively addressing the impact that the Year 2000 issue could have on the County's computer systems. The County conducted an inventory of all mission-critical systems, including financial applications and applications supporting services to the public. System corrections have been made or are underway of all such systems. Plans have been established to complete the repair or replacement of those remaining systems that are found to have date related deficiencies during 1999.

Due to the decentralized nature of the County's computer environment, we have established a Countywide coordinated effort to identify, monitor and report on the progress of the project. In addition, the County is reviewing all building systems and is coordinating with vendors to help mitigate an adverse impact on the County's operations. The County is also developing contingency plans at the department and community levels, in the event that, despite remediation efforts, some systems are not able to function properly.

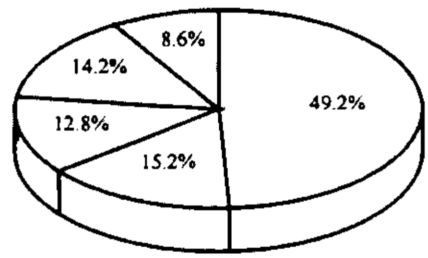
The cost of the project and the date on which the County believes it will complete the Year 2000 modifications are based on management's best estimates, which were derived utilizing numerous assumptions of future events, including the continued availability of certain resources, third party modification plans and other factors. The County believes the costs associated with the Year 2000 modifications will not have a material impact on the result of operations. Most repairs are being completed using "in-house" system staff. Additional funding requirements are defined and addressed as part of the budget preparation process for the upcoming fiscal year, as has been the case over the last two years. County departments have been directed to make the Year 2000-related issues a priority. Other information technology projects that are not of a critical nature are being deferred until the Year 2000 preparation efforts are complete.

GENERAL FUND SUMMARY

The following is a summary of the County's General Fund operations for the years ended September 30, 1998, and September 30, 1997 (in thousands):

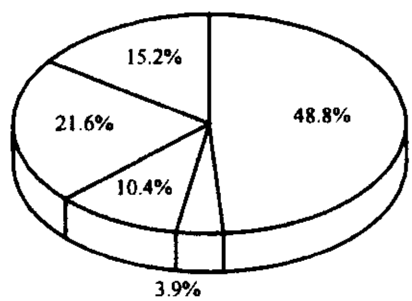
	1998	1997	Percentage Increase (Decrease)
Revenue Sources			
General Property Taxes	$ 577,643	$ 570,639	1.23
Other	179,000	174,535	2.56
Licenses and Permits	56,186	1,362	(8.44)
Intergovernmental Revenues	166,996	149,036	12.05
Charges for Services	100,816	93,322	8.03
Fines and Forfeitures	23,329	21,645	7.78
Interest Income	19,854	19,220	3.30
Other	51,675	45,197	14.33
Total	$1,175,499	$1,134,956	
Expenditures and Transfers			
Policy Formulation and General Government	$ 244,995	$ 249,856	(1.95)
Protection of People and Property	553,756	529,835	4.51
Physical Environment	31,446	31,094	1.13
Transportation	26,737	27,522	(2.85)
Health, Welfare and Social Services	44,255	83,046	(46.71)
Culture and Recreation	60,033	59,432	1.01
Transfers Out (In):			
Transit Agency	$ 102,346	$ 102,149	0.19
Seaport	17,000		100.00
For Capital Projects	4,487	6,740	(33.43)
Debt Service	6,803	5,110	33.13
Health Program	73,282	86,157	(14.94)
Social Programs	44,740	41,927	6.71
Water & Sewer	(26,471)	(18,319)	44.50
Self Insurance	(61,400)	(74,330)	(17.40)
Other, Net	11,612	19,267	(60.97)
Total	$1,133,621	$1,149,486	

General Fund Revenues
Fiscal Year 1998



Property Taxes 49.2%
Other Taxes 15.2%
Other Revenues 12.8%
Intergovernmental Revenues 14.2%
Charges for Services 8.6%

Expenditures and Transfers
Fiscal Year 1998



Public Safety 48.8%
Health & Human Services 3.9%
All Others 10.4%
General Government 21.6%
Net Transfers 15.2%

	1998	1997	Actual Change
Net Assessed Property Value (in thousands):			
Countywide	$81,474,178	$77,539,689	$ 3,934,489
Unincorporated Area	38,707,453	38,470,356	237,097
Ad Valorem Tax Rate (in mills):			
Countywide	6.023	6.469	(.446)
Unincorporated Area	2.683	2.277	.406

The following summarizes significant changes in the General Fund's revenues and expenditures for fiscal 1998 as it compares to fiscal year 1997.

***General Property Taxes* -** general property taxes increased by $7 million, due to an increase in the assessed values of 5 %. For the fifth consecutive year, the Countywide millage rate was reduced, from 6.469 mills in 1997 to 6.023 mills in 1998 a 6.89% reduction. The unincorporated area millage increased by .406 mills, and the assessed value of the unincorporated area reflected a .62% increase in value.

***Other Taxes* -** consisting of utility taxes, local option gas taxes and franchise taxes increased by 2.56%.

***Intergovernmental Revenues* -** the increases in state revenue sharing proceeds and state sales tax receipts relate mainly to the better than expected economic conditions in the State of Florida. This strong economic condition was reflected in the increase in intangible taxes as a direct result of the stock market surge in 1998.

***Other Revenues* -** the increase in other revenues is attributable to the recovery of uncollectible accounts amounting to $2.1 million, and a prior year hurricane claim recovery of $2.9 million**.**

***Protection of People and Property* -** expenditures increased by $24 million or 4.5 percent. This increase is attributed to police and crime control efforts of $21.6 million increase, and $3.9 million increase for Corrections and Rehabilitation.

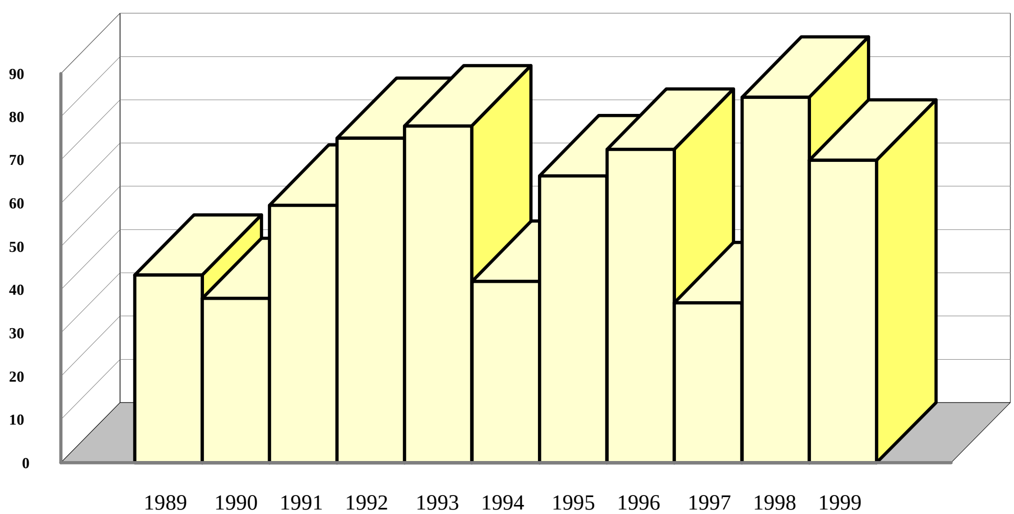
Health, Welfare and Social Services - expenditures decreased by $38.8 million or 46.7%. This decrease is partially attributed to an agreement between Public Health Trust (PHT), an enterprise fund, and the County to assume $17 million of the County's share of Medicaid costs and the reduction of the County's allocation for health care service to the PHT of $18 million.

Unreserved Fund Balance **-** The Countywide Unreserved Fund Balance as of September 30, 1998 was $85 million, an increase of $48 million from 1997 of $37 million. The increase is attributed to a net increase of revenues over expenditures and transfers. Property taxes and intergovernmental revenues together account for fifty percent of the increase in revenue over the last year, due mainly to improved economic conditions and the impact of the stock market surge in 1998. The remainder of the increase in fund balance is attributable to the transfer of the County's General Fund medicaid costs of $17 million to PHT.

General Fund
Unreserved Fund Balance
For the Fiscal Year Ending September 30,
(in thousands)

1989	$43,419
1990	38,014
1991	59,550
1992	75,014
1993	77,900
1994	41,958
1995	66,373
1996	72,519
1997	37,001
1998	84,855
1999 Estimate	70,000

GENERAL FUND UNRESERVED FUND BALANCE
FOR THE FISCAL YEAR ENDING SEPTEMBER 30,
(in thousands)



ENTERPRISE OPERATIONS

Enterprise Funds are established to finance and account for the acquisition, operation and maintenance of facilities and services which are intended to be entirely or predominantly self-supporting through the collection of charges from users, or for which the periodic determination of revenues earned, expenses incurred, or net income is appropriated for capital maintenance, public policy or other purposes.

The County maintains the following Enterprise funds: the Transit Agency, the Department of Solid Waste Management, the Seaport Department, the Aviation Department, the Water and Sewer Department, the Public Health Trust, the Rickenbacker Causeway, the Vizcaya Art Museum and certain enterprise operations of the Housing Agency.

A summary of their operations is presented in the table below (in millions):

Enterprise Operations
Fiscal Year Ending September 30, 1998
(in millions)

	Operating Revenues	*** Operating Expenses***	***Net Operating Income (Loss)***	***Non-Operating Revenues (Expenses)***	***Operating Transfers In (Out)***	***Net Income (Loss)***
Transit Agency	$80.4	$294.0	($213.6)	$52.0	$107.7	($53.9)
Solid Waste	168.8	142.7	26.1	0.5	(9.3)	17.3
Seaport	67.8	45.3	22.5	(21.1)	26.3	27.7
Aviation	453.0	415.4	37.6	(34.3)		3.3
Water & Sewer	372.6	259.6	113.0	(19.1)	(31.5)	62.4
Public Health Trust	626.0	807.9	(181.9)	23.6	204.6	46.3
Rickenbacker	5.1	3.5	1.6	(0.1)		1.5
Vizcaya	2.6	2.2	0.4	0.1		0.5
Housing Agency	5.7	5.7		2.5		2.5
Total	**$1,782.0**	**$ 1,976.3**	**$(194.3)**	**$ 4.1**	**$ 297.8**	**$ 107.6**

* Operating Expenses include depreciation and assumption of closure and postclosure care cost of inactive landfills.

The net income for all enterprise operations was $107.6 million with only the Transit Agency experiencing a net loss. The following is a brief discussion of the operating results of some of the Enterprise funds:

Transit Agency

The Miami-Dade Transit Agency is charged with the operation of a unified public transit system consisting of a bus fleet of 624 buses, a 21.1 above ground Metrorail system and a 4.2 mile Metromover system providing services throughout the County. Operating Revenues for the Transit Agency increased by 3.1 percent from the 1997 levels primarily attributed to Passenger Fare Revenue, and operating expenses increased by 4.2 percentage over the 1997 levels. Net loss after operating subsidies was $53.9 million, reduced from the 1997 level of $63.9 million, a positive variance of 15.6%. The loss was primarily attributed to depreciation of $53.5 million.

The Transit Agency has a cumulative cash deficit from operations of $42.6 million, of which $24.7 million will be reimbursed from grantor agencies, and the remaining cash deficit of $17.8 million represents several years of operating expenditures in excess of cash receipts. The cash deficit was recorded as an interfund receivable in the County's General Fund. This $17.8 million net cash deficit which totaled $24.6 million at year end 1997, will be eliminated with one time revenues, such as sale of certain non-productive capital assets, lease-leaseback transactions, and net revenues over operating expenditures. It is anticipated that the operating cash deficit will be fully eliminated during fiscal year 1999.

Solid Waste

Solid Waste is responsible for providing solid waste collection and recycling services to approximately 259,000 residential customers in the unincorporated area of Dade County, as well as countywide disposal for solid waste collected by County and private waste collection companies. Solid Waste has entered into long-term agreements with nineteen municipalities and three private haulers, including the two largest private haulers in Miami-Dade County, for delivery of waste to the Department for a period of twenty years. This public-private partnership has resulted in a continuing return of revenue waste tons to the Department's facilities.

Operating revenues for the fiscal year were $168.9 million, a decrease of less than one percent from the 1997 levels, whereas operating expenses decreased 19.6 percent from the 1997 levels. Net income for 1998 was $17.3 million as compared to a net loss of $7.8 million in 1997. The improved operations can be attributed to the change in the estimate for accrued landfill closure and postclosure care costs.

Seaport

The Seaport's revenue from operations increased by $7.1 million or 11.7% from the 1997 levels. The net income for 1998 was $27.7 million as compared to a loss of $4.2 in 1997. The Seaport Department, which oversees the Dante B. Fascell Port of Miami as Gateway of the America and Cruise Capital of the World contributes more than $8.2 billion a year to the South Florida economy.

The past year has seen sweeping changes at the Seaport. The primary focus for these changes is twofold; financial stability and continued growth. The Seaport's efforts toward meeting the historically elusive goal of financial stability include the implementation of sound business practices. Among the most far-reaching of these changes were; a commitment to annual tariff reviews with increases, when appropriate. Tariff increases for wharfage, dockage and parking rates were implemented during the fiscal year. An independent appraisal of property values was performed and rental rates increased accordingly. Long-term agreements were reached with most major customers, both cruise and cargo, providing for incentive rates beginning in fiscal 1999, with minimum annual revenue guarantees to the Seaport. The County has also terminated the former crane maintenance agreement and brought the billing and collection function in house. Disputes with several customers were settled, resulting in previously unbilled revenue sources for the Seaport.

On the expenditure side, both operating and non-operating expenses were reduced with all expenditures reviewed by management on an ongoing basis. The cumulative cash deficit in the Seaport's general fund in 1998 was $4.2 million as compared to $24.1 million, at the end of fiscal year 1997. It is anticipated that the entire cash deficit will be eliminated in fiscal year 1999.

Aviation

The Aviation Department's revenue from operations for the fiscal year ended September 30, 1998 were $453 million, an increase of $18.7 million or 4.3% from 1997 levels. The increase in revenues is attributed to increased aviation and rental revenues as a result of increased fees and concourse use. Total operating expenditures for the fiscal year ended September 30, 1998 were $415.4 million, a decrease of $14.1 million or 3.2%, resulting in a net income for the year of $3.3 million as compared to a net loss of $32.9 in 1997. The improved operations is attributed to a reduction of $15.8 million for environmental remediation costs and reduced management agreement operating expenses and increased revenues.

The Miami-Dade Aviation Department operates the Miami International Airport as well as five general aviation airports. The general aviation airports and their related activities provide a significant role as they serve to alleviate traffic at MIA. In 1993, the Aviation Department embarked on a $4.7 billion redevelopment and expansion program which continues to move forward. To date, 74 projects valued at nearly $350 million are under construction; and 131 projects valued at $1.9 billion are in the design, bid or award stage. Since 1995, $1.2 billion in construction projects have been completed, including the addition of 1 million square feet to the terminal complex. In the Terminal Complex, improvements include the redesign of Concourse H, completed in 1998. A new in-transit connector and lounge is now available from Concourses A through F, allowing international to international passengers to move through the terminal without leaving the secure environment. The connector also speeds up the processing of arriving international passengers. MIA pioneered this concept in the United States. This is the first corridor approved by federal authorities.

The North Terminal expansion is advancing. The final 10 gates of Concourse A as well as other ancillary improvements will be completed in 1999. The South Terminal will include a new Concourse J which will add 14 international gates, enhanced apron, Federal Inspection Services and more ticker counters. The expanded Terminal and new concourses will add approximately five million square feet of new areas to approximately 3.75 million square feet of existing space, for a total of approximately 9 million square feet. Significant emphasis is being placed on international arrival capacity as it is expected that by the year 2000, 50% of the Airport's enplaned passengers will consist of international passengers. Parking areas at MIA are more efficient, with all garages now connected.

As construction continues, the Department will remain committed to maintaining environmentally safe practices, and keeping those in balance with all airport improvements. From 1990 to 1998, an excess of $135 million has been spent on tests and clean-up efforts. This represents one of the most advanced airport clean-up programs in the United States.

Water and Sewer

Operating revenues for the fiscal year ended September 30, 1998 were $372.6 million, a decrease of $10 million (2.6%) when compared to $382.6 million in revenues recorded in the fiscal year 1997. The decrease in revenues was primarily attributed to a reduction in billed sewer flows from wholesale customers and a refinement in the estimation methodology used to record unbilled revenues to more accurately reflect current consumption patterns. The number of retail water and wastewater customers increased by 5,398 and 2,937 respectively, during fiscal year 1998.

The operating and maintenance expenses for the fiscal year ended September 30, 1998 were $191.4 million, a decrease of $42.5 million (18.2%) below the previous year. The decrease is due to savings achieved in the restoration program through more efficient scheduling and more aggressive pricing; as well as a reduction in supplies, renegotiation of the Department's natural gas contract and chemical reductions related to decreased water and wastewater flows. The Department has transitioned from a reactive maintenance program to a proactive one, thereby streamlining the operation and maintenance of the system and reducing unscheduled maintenance overtime hours.

The Water and Sewer Department continued successful implementation of a $1 billion program to upgrade its wastewater system. The program was developed to comply with four enforcement actions levied by the State of Florida and the United States Department of Justice on behalf of the United States Environmental Protection Agency. The Department completed more than 80% of the program improvements. With these improvements, a dramatic reduction is evident in capacity related sanitary sewer overflows since the inception of the program. Further, a 50% increase in wastewater pump station capacity and a 15% wastewater treatment plant capacity reserve has occurred. The reduction of overflows is the primary goal of the program, and provides a safer environment for Miami-Dade County residents.

Public Health Trust

Operating revenues for the fiscal year ended September 30, 1998 were $626 million, an increase of $9.4 million, or 1.5 percent when compared to $616.5 million in revenues recorded in the fiscal year ended 1997. Operating expenses increased $35.6 million or 4.6 percent. Operating transfers in, consisting of indigent sales tax and general fund subsidies, increased by $13.9 million or 7.2 percent. Net income decreased from $56.4 million in 1997 to $46.3 million for fiscal year ending September 30, 1998.

DEBT MANAGEMENT

The County has continued to obtain, in an efficient and innovative manner, long-term financing for the construction or acquisition of various long-term assets. It is management's objective to adequately plan and meet the County's comprehensive construction demands for essential capital improvements and equipment, and, at the same time, ensure that the residents of the community are not overburdened with general obligation long-term debt payable from ad valorem taxes.

The County's debt service millage for 1998 for all Countywide bonded indebtedness was .929 mills. Since 1986, this millage experienced minor fluctuations. Of the total Countywide millage; .710 mills or 76% is dedicated to the $553 million Decade of Progress Program, .180 mills or 19% is earmarked for the $200 million Criminal Justice Facilities Bond Program, and .039 mills or 5% is attributed to the $200 million Parks Bond Program. The total millage for all Metro-Dade Fire and Rescue Service District bonded debt service for 1998 was .075 mills.

The following chart indicates the principal amortization of the County's general obligation debt in five year increments. As can be seen, approximately 70% of the debt will be retired in the next ten years.

General Obligation Debt
Principal Amortization
For The Five Year Period Ending September 30,
(in thousands)

2003	$197,645
2008	53,550
2013	39,470
2018	48,311
2023	19,595

During fiscal 1998 and subsequently thereafter, the County accessed the municipal bond market via negotiated and competitive issuances, and entered into loan agreements with the State of Florida and other governmental bodies, to permanently finance, or in some instances to refinance, the following:

$298,540,673 Dade County Subordinate Special Obligation & Refunding Bonds, Series 1997 A, B, and C. The proceeds of the Series 1997 A Bonds were used to purchase non-callable direct government obligations to refund a portion of the Series 1996 Bonds. Refunding the bonds provided the County with a total savings of $57.4 million in debt service which equated to $4.7 million in present value savings or 6.272% of the refunded issue. The proceeds of the Series 1997 B Bonds will be used to provide additional funds for the Downtown PAC, certain cultural facilities located in the northern and southern part of the County and to provide funding for improvements to various existing cultural facilities throughout the County. The Series 1997 C Bonds were issued to provide funds for the acquisition of real property for a new multi-purpose professional sports facility and pedestrian bridge. The Series 1997 Bonds were issued at interest rates ranging from 4% to 5.68% with a final maturity in fiscal 2038.

$200,000,000 Dade County, Florida Aviation Revenue Bonds, Series 1997 B and C. The proceeds of the Series 1997 B and C Bonds, together with certain other moneys of the Aviation Department, will be used to provide funds to pay a portion of the cost of certain airport improvements as part of the approved Capital Improvement Program, make deposit to the Reserve Account, and pay certain costs of issuance of the Series 1997 B and C Bonds. The Series 1997 B Bonds were issued at interest rates ranging from 4.75% to 5.125% with a final maturity in fiscal year 2023. The Series 1997 C Bonds were issued as Term Bonds with an interest rate of 5.125% and maturity in fiscal year 2028.

$233,085,000 Dade County, Florida Aviation Revenue Refunding Bonds, Series 1998 A and 1998 B. The Series 1998 A and 1998 B Bonds were issued to completely or partially defease $82,990,000 of Series U, $43,460,000 of Series V, $24,000,000 of Series W, and $80,000,000 of Series 1995 B, net of an unamortized discount of $4,234,000 and unamortized bond issuance cost of $963,000 plus accrued interest payable of $3,588,000. The net proceeds of $231,017,532, plus $11,298,000 of debt service account monies will be used to provide funds to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust administered by an escrow agent to provide for the debt service payments including principal and interest on the defeased Bonds. The Series 1998 A Bonds were issued at interest rates ranging from 4.000% to 5.250% with a final maturity in fiscal year 2025. The Series 1998 B Bonds were issued at interest rates ranging from 4.000% to 5.000% with a final maturity in fiscal year 2007. The advance refunding resulted in a deferred accounting loss of approximately $17,799,000 for the fiscal year ended September 30, 1998. As a result of this transaction, the County decreased its aggregate debt service payments of approximately $12,852,000 over the next 27 years and obtained an economic gain of approximately $9,071,000.

$150,000,000 Dade County, Florida Aviation Revenue Bonds, Series 1998 C. The proceeds of the Series 1998 C Bonds, together with certain other moneys of the Aviation Department will be used to provide funds to pay a portion of the cost of certain airport improvements as part of the approved Capital Improvement Program, make deposit to the Reserve Account, and pay certain costs of issuance of the Series 1998 C Bonds. The Series 1998 C Bonds were issued at interest rates ranging from 4.00% to 5.25% with a final maturity in fiscal year 2029.

$67,100,000 Dade County, Florida Public Health Trust Public Facilities Revenue Bonds, Series 1998 (Jackson Memorial Hospital). The proceeds of the Series 1998 Bonds, together with certain other moneys of the Public Health Trust, will be used to provide funds to pay a portion of the cost of certain capital additions to Public Health Trust's healthcare facilities projects, make deposit to the Reserve Account, and pay certain costs of issuance of the Series 1998 Bonds. The Series 1998 Bonds were issued at interest rates ranging from 3.7% to 5.25% with a final maturity in fiscal year 2018.

$50,000,000 Dade County General Obligation Bonds (Park Program), Series 1997. The proceeds of the Series 1997 Bonds will be used to provide funds for parks programs for regional parks, beaches, unincorporated areas, and grants to municipalities. The Series 1997 Bonds were issued as Serial Bonds from 1998 to 2017 at interest rates ranging from 5% to 6.5%, and a Term Bond maturing in November 2022 at an interest rate of 5.125%.

$26,000,000 Dade County, Florida General Obligation Bonds (Park Program), Series 1998. The proceeds of the Series 1998 Bonds, will be used to provide funds for parks programs for making deposits to the Reserve Account, and paying certain costs of issuance of the Series 1998 Bonds. The Series 1998 Bonds were issued at interest rates ranging from 3.7% to 5.25% with a final maturity in fiscal year 2018.

$77,640,000 Dade County, Florida Public Service Tax Revenue Bonds (UMSA Public Improvements). Series 1999. The proceeds of the Series 1999 Bonds, will be used to provide funds for infrastructure projects in the unincorporated area of the County, and pay certain costs of issuance of the Series 1999 Bonds, including the premium for a Reserve Fund Facility. The Series 1999 Bonds were issued at interest rates ranging from 4.00% to 5.250% with a final maturity in fiscal year 2024.

$41,580,000 Dade County, Florida Stormwater Utility Revenue Bonds, Series 1999. The proceeds of the Series 1999 Bonds, will be used to provide funds for infrastructure projects in the unincorporated area of the County, and pay certain costs of issuance of the Series 1999 Bonds, including the premium for a Reserve Account Credit Facility. The Series 1999 Bonds were issued at interest rates ranging from 3.00% to 5.00% with a final maturity in fiscal year 2024.

$9,000,000 Special Housing Revenue Refunding Bonds, Series 1998 The proceeds of the Series 1998 Bonds were used to purchase non-callable direct government obligations to refund certain Dade County, Florida Special Housing Revenue Bonds previously issued to finance the acquisition, construction and/or rehabilitation of several publicly owned multifamily rental housing projects. Refunding the Bonds provided the County with a total savings of approximately $2.5 million in debt service which equated to $2.4 million in present value savings of the refunded issue. The Series 1998 Bond were issued at interest rates ranging from 5.3% to 5.8% with a final maturity in fiscal 2012.

$94,478,889 Professional Sports Tax Refunding Revenue Bonds, Series 1998. The proceeds of the Series 1998 Bonds were used to purchase non-callable direct government obligations to fully defease the outstanding Series 1992 and 1995 Bonds. Refunding the Bonds provided the County with a total savings of approximately $23 million in debt service which equated to $2.4 million in present value savings or 2.6% of the refunded issue. The Series 1998 Bonds were issued at interest rates ranging from 3.6% to 5.195% with a final maturity in fiscal 2031.

$60,000,000 Solid Waste Revenue Bonds, Series 1998 The proceeds of the Series 1998 Bonds, together with certain other moneys of the Solid Waste Department will be used to: redeem the 1997 Bond Anticipation Notes; provide funds to finance the closure of landfills/cells, construction of landfill monitoring wells, construction of leachate collection and treatment system and construction of transfer station improvements; pay certain costs of issuance of the Series 1998 Bonds, including the premium for a municipal bond insurance policy and a Reserve Account Credit Facility . The Series 1998 Bonds were issued at interest rates ranging from 3.65% to 4.875% with a final maturity in fiscal year 2019.

$43,430,000 Special Obligation, (Courthouse Center Project) Refunding, Series 1998 A&B. The proceeds of the Series 1998 Bonds were used to purchase non-callable direct government obligations to refund a portion of the Series 1994 and 1995 Bonds. Refunding the Bonds provided the County with a total savings in excess of $2.5 million in debt service which equated to $1.6 million in present value savings or 4.98% of the refunded issue. The Series 1998 Bonds were issued at interest rates ranging from 3% to 4.75% with a final maturity in fiscal 2020.

$20,605,000 Sunshine State Financing Commission Loan, Series 1998 This loan is intended to finance marine structures, cargo and cruise terminals and related infrastructure improvements, and intermodal container facilities.

The County's financial management team has consistently demonstrated its ability to responsibly manage the fiscal affairs of the government. The nationally recognized ratings on County bonds have reflected these strengths through current high investment grade ratings of A1 and A+ from Moody's Investors Service and Standard & Poor's Corporation, respectively.

CONSTRUCTION MANAGEMENT

The County's current six year Capital Improvement Plan covering the period from October 1, 1998 through September 30, 2004 highlights 424 construction projects with an estimated cost of $9 billion. Of this amount, 60% represents the transportation area, with Aviation improvements comprising 74% of the total multi-year transportation program costs. Capital projects in the physical environment category comprises 26% of the total spending plan with approximately 22%, attributable to the Water and Sewer Department.

Major capital projects for fiscal year 1999, other than Aviation and Water and Sewer capital improvements include: the Carol City District Police Station; construction of the Justice Complex Energy center; roadway widening, landscaping, and installation of traffic devices at intersections which were not previously signalized; construction of the Perrine and Honey Hill, Turnpike; South Miami Heights, Saga Bay, and Bunche Park Fire Rescue Stations; construction of the Palmetto extension of Metrorail, $13 million of Safe Neighborhood Parks projects, construction of the Performing Arts Center; landfill closure projects; $90 million of stormwater utility fee funded drainage improvement projects; $236 million of water and wastewater system improvements; construction of new surgical suites and intensive care units at Jackson Memorial Hospital; $8 million of public housing renovations; over $30 million of Community Development Block Grant program funded projects; and renovation of the existing Passenger Transportation Regulatory Division vehicle inspection station.

Projects to provide access to the physically challenged, in compliance with the Americans with Disabilities Act (ADA), include barrier removals at the Joseph Caleb Center, neighborhood service centers, Carrie Meek Head Start Center, Community Action Agency administration building, North County Service Center, the Miami-Dade Police Department Headquarters building, the Museum of Science and various parks. Transportation related ADA projects include, providing access to sidewalks and bus routes in the unincorporated area, renovation of rail and mover stations, construction of bus passenger landing pads, installation of voice enunciators in buses built in 1990, and acquisition of lift-equipped vehicles and related equipment to provide special transportation services.

The Three Cent Capital Improvement Local Option Gas Tax Program (LOGT) for Fiscal year 1999 continues to be allocated for allowable transit infrastructure costs ($9.064 million), as well as for road projects ($4.2 million) and $3.75 million to leverage $17.5 million in state and federal funds for transit projects.

The Quality Neighborhoods Initiative Bond Program, approved by the Board in September 1998, is a major capital program in excess of $147 million, which addresses deficiencies in the Unincorporated Municipal Service Area of the County. It includes the construction of sidewalks, road resurfacing, stormwater drainage improvements and park facility improvements.

Funding sources for future capital improvement expenditures can be broken down as follows (in thousands):

	Fiscal Year 1999 Amount	%	Fiscal Years 1999-2004 Amount	%
Debt Proceeds	$ 609,234	46.70	$6,434,973	67.13
County Proprietary Operations	186,359	14.28	953,297	9.94
Federal	194,458	14.90	919,241	9.59
State	92,095	7.06	343,337	3.58
Impact Fees and Contributions	96,301	7.38	394,977	4.12
Gas Taxes	34,999	2.68	220,731	2.30
Other	91,394	7.00	320,379	3.34
Total	$1,304,840	100.00	$9,586,935	100.00

Future capital improvement expenditures, by program area, can be broken down as follows (in thousands):

	Fiscal Year 1999 Amount	%	Fiscal Years 1999-2004 Amount	%
Transportation	$ 716,022	54.87	$5,717,355	59.64
Physical Environment	294,268	22.55	2,452,973	25.59
Health and Human Services	160,762	12.32	644,456	6.72
Protection of the People and Property	43,482	3.33	213,166	2.22
Cultural and Recreation	68,967	5.29	489,924	5.11
Internal Support and General Government	21,339	1.64	69,061	0.72
Total	$1,304,840	100.00	$9,586,935	100.00

CASH MANAGEMENT

In order to achieve maximum financial return on all available funds, the Finance Department pursues an aggressive cash management and investment program within the constraints imposed by Florida Statutes and Resolutions by the Board of County Commissioners. Commencing with fiscal year 1995, the County adopted a formal investment policy which applies to all investment of public funds. Idle cash balances are invested on a daily basis at the best interest rates available in the markets. Investments consist primarily of time deposits in banks approved by the State Treasurer to act as a qualified public depository, United States government treasuries; United States government agencies; commercial paper; bankers' acceptances and repurchase agreements. For purposes of maximizing the interest earning yield on short-term investments, cash balances of all funds are pooled, except where separate cash and investment accounts are maintained in accordance with legal requirements. It is the County's policy not to invest in leveraged derivatives. The primary objective of the County's policy is preservation of capital.

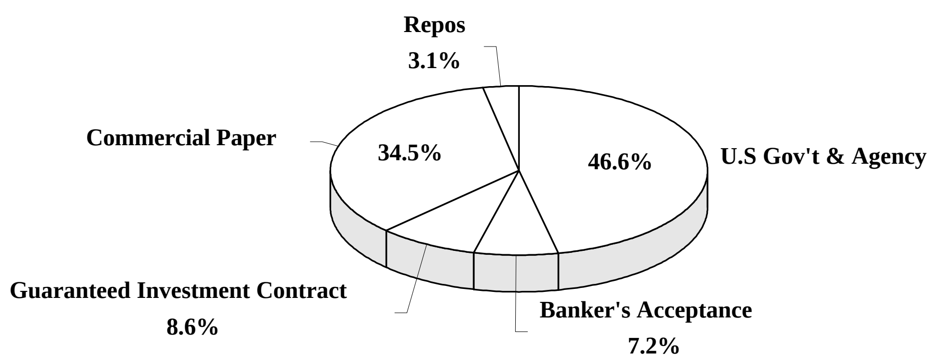
During fiscal year 1998, the average investment yield realized by the County was 5.77%. As in the past, Treasury activities have realized forecasted returns and have been a significant contributor in the attainment of revenues to meet the many service demand levels identified by the administration and management.

A summary and comparison of Treasury activity for the last three fiscal years is as follows (in thousands):

	1998	1997	1996
Average Portfolio Balance	$1,918,272	$1,878,916	$1,880,583
Average Investment Yield	5.77%	5.66%	5.58%
Interest Earned on Investments Managed by the Finance Department	$110,766	$106,316	$105,288

The following chart summarizes the County's investments, including cash equivalents, at September 30, 1998:

Cash Equivalents and Investment Types



The County participates in the United States Treasury Department Minority Bank Deposit Program. This program, which has been in effect for the past thirteen fiscal years, requires the County to deposit Federal initiated grants and entitlement and certain State originated moneys with local minority owed banks for a period of three working days. The banks in turn, have free use of the funds to make investments or take advantage of the Fed Funds Market and keep all interest earned thereon. However, in all instances, the County's moneys are fully collateralized as required by Florida Statutes.

The following recaps the County's deposits in participating minority owned banks in the past three fiscal years:

1998	$ 56,435,685
1997	174,851,524
1996	273,102,000

RISK MANAGEMENT

The County administers a self-insurance program for workers' compensation, tort liability, property, and group health and life insurance programs, subject to certain stop-loss provisions. The health and life insurance programs are administered by an independent administrator. The County funds the program on an annual payout basis. Insurance coverage is maintained with independent carriers for property damage to County facilities. The County maintains no excess coverage with independent carriers for workers' compensation and general liability.

At September 30, 1998, the estimated liability for insurance claims which are expected to be paid with available financial resources was $37,919,000. The estimated long term liability for insurance claims which are not expected to be paid with available financial resources at September 30, 1998 was $87,130,000.

In December 1995 the County entered into a loan agreement with the Florida Sunshine State Commission. The purpose of the loan is to provide additional cash reserves in the event of a cataclysmic occurrence. The $41,200,000 loan is on deposit with a fiscal agent. The carrying costs of the loan are offset by interest earnings. In the event of a drawdown, the debt service payments will be generated by increasing the annual premiums charged to participants of the self-insurance fund. This loan arrangement enables the County to help cover its potential long term liability at a nominal cost without adversely impacting the County's fiscal operations.

INDEPENDENT AUDIT

The general purpose financial statements for 1998 were audited by KPMG LLP, and their opinion resulting from their audit, is included in this Comprehensive Annual Financial Report. Their audit was performed in accordance with generally accepted auditing standards, Government Auditing Standards and the Rules of the Auditor General State of Florida. The scope of the audit was sufficient to satisfy State, Federal and County Charter requirements.

CERTIFICATE OF ACHIEVEMENT

For the eighteenth consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Metropolitan Dade County for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 1997. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting. The attainment of this award represents a significant accomplishment by a government and its financial management.

In order to be awarded a Certificate of Achievement, the County had to publish an easily readable and efficiently organized CAFR, whose contents conform to established program standards. Such comprehensive reports must satisfy both generally accepted accounting principles and applicable legal requirements. To earn a Certificate of Achievement, a government must demonstrate constructive spirit of full disclosure to clearly communicate its financial story while enhancing the understanding of the logic underlying the traditional governmental financial reporting model.

The County's 1997 Comprehensive Annual Financial Report has been evaluated by an impartial Special Review Committee composed of other government officers, independent certified public accountants, educators and others with particular expertise in government accounting and financial reporting. We believe that the 1998 Comprehensive Annual Financial Report continues to conform to the high standards of the Certificate of Achievement Program and we are submitting it to the GFOA.

ACKNOWLEDGMENTS

The preparation and completion of this Comprehensive Annual Financial Report represents the culmination of numerous processes performed by many of the accountants throughout the County departments, and of the continued excellent cooperation and assistance of all of the accounting firms associated with the audit of the County's operations. We would like to thank the chief financial officers of the County's enterprise operations for coordinating their reporting deadlines with that of the combined entity in order for this Comprehensive Annual Financial Report to be issued on a timely basis; and the Research Division of the Department of Planning, Development and Regulation for providing the information regarding our economy. In particular, we wish to express our appreciation to the staff of the Finance Department who were responsible for compiling and collating the data comprising this report, for developing our underlying financial accounting theory and for achieving the highly respected Certificate of Achievement Award.

Finally, your guidance and cooperation in planning and conducting the financial affairs of the County in a responsible and progressive manner is greatly appreciated.

Respectfully submitted,

Rachel Baum

RACHEL BAUM
Finance Director

Graciela Céspedes

GRACIELA CESPEDES
Deputy Finance Director